



First Quarter 2019 Results

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Overall performance

Main messages

Good afternoon to every one of you. Let me start this presentation on page four of the document that you have probably already read since this morning. Just to remind you, the four main messages on these results for the first quarter of 2015 [?] for Crédit Agricole Group and for Crédit Agricole S.A. First main and important message, we are having a good level of underlying net profit. It is slightly up, even in the first quarter, which as you all know, is always earmarked with some regulatory and tax headwinds. Second key point is that we managed to continue our cost control on all business lines throughout the group. The third main message is that the cost of risk continues to be low and even continued to decrease a little bit this quarter as compared to the same quarter last year. And finally, the solvency of the group improved further this quarter, plus 30 bps at the group level and the solvency of Crédit Agricole S.A. remained stable on this quarter.

Performance

Page five, just a few information that you all know. Equity market improved a little bit in the first quarter, but there is still some volatility and the rate situation has continued to deteriorate a little bit considering the businesses in which we are engaged. On page six, you have the main profitability indicators for the group and for Crédit Agricole S.A. So, the stated and underlying net profit for the group stand at €1,350 million and €1,435 million, and for Crédit Agricole S.A. the figures are €753 million and €796 million. On the following page, page eight, we are seeing the global economic performance that we did in this first quarter. As I already mentioned, the net income – underlying – net income for Crédit Agricole S.A. is slightly up for the quarter, plus one percent; and if we take out of this quarter the figures coming from the contribution to the Single Resolution Fund, actually the performance would have been up 3.5 percent. It's also the performance that we did on the profit before tax, plus 3.5 percent. If we analyse a little bit the components of this profitability, what we can see is that the net profit of the four main business divisions of the group is globally up 8.2 percent and the one percent is explained by some volatility and one-offs on the corporate centre, including a base effect considering some elements of profits that we had in the first quarter of 2018.

Revenues

On page nine, you may now take a look at the evolution of the revenues. And again, what you can see is that in a context where all in all the underlying revenues were flat, the revenues of the business lines were up one percent. I just want to mention two or three of them before undertaking the analysis of each business lines. At LCL in French retail banking, we saw an improvement in the top line, and it's been also the case at CACIB, Corporate and Investment Bank, which is in both cases in the present context quite good performance. Regarding the specialized financial services division, we analysed it a little bit further in the course of the presentation, but just let me remind you that part of the business does not translate into net

banking income; it translates into equity-accounted components. It's all the business that we are doing for the car financing joint ventures, which is made under the form of joint ventures.

Costs

On page ten, again as I already mentioned, we confirm our capacity to control the cost evolution globally and in all the business lines. The cost control continues to be a key element of our performance of our profitability. Of course, we are developing a cost policy which is diversified across the different business lines. There are some businesses in which, like the insurance business, we continue to invest; and there are some businesses, like retail banking activities both in France and abroad, especially in Italy, and specialised financial services, where we deem necessary to continue to try and reduce a little bit the cost base in accordance with the prospects of the evolution of the top line. I think that this performance of a flat evolution of the cost line is especially noticeable in the context where we all know that be it in the IT component of the cost line or be it for the salaries, we have spontaneous evolution which is roughly of around 1.5 percent to 2 percent across the board. If I go now to page 11, where we have some indications about the evolution of the cost of risk, I think the main messages are again that the cost of risk is low, but the cost of risk continued to decline, especially in the CIB space. And clearly, it's really the consequence of the further improvement of the asset quality of all of our balance sheets, the asset quality of our loan books; and there is no sign of soon a deterioration of this asset quality. So, I think it's a key component also of our strength nowadays.

And this is illustrated by the evolution of the NPL ratios which stand at 3.3 percent. It's down 90 bps as compared to one year before on the perimeter of Crédit Agricole S.A. and it stands at 2.6 percent, down 40 bps on the perimeter of Crédit Agricole Group. If we analyse a little bit further the cost of risk by business line on page 12, what we can see is that at LCL and in the consumer credit business, we are now stabilised around a very low level. It may have some volatility, but clearly, it's a volatility around a very low level, and again no sign of clear deterioration going forward. And it's particularly important to note that the cost of risk remained stable in the context of an increasing loan book. So, it means that finally the additional bucket one and bucket two provisions that we have to take regarding the new loans is completely offset by the global improvement of the loan quality. On the Italian retail banking activities, we continue to see a further decrease of the cost of risk, which is coherent with the forecast that we had made; and we see some further room to see this continuing going further. And lastly, on the financing activities of CACIB, of the CIB, we have for the fourth quarter in a row a negative cost of risk, so a provision reversal. Of course, this is not sustainable, and we may see a normalisation going further, but again, the quality of the loan book remains very healthy.

Performance by business line

Asset gathering

If I go now on page 13 and I start the analysis by business line, on page 13, the first figures regarding the asset gathering business division. What we can see is that we have recorded a strong increase in the assets under management, plus 2.7 percent as compared to end of Q1 '18, but close to three percent as regard to the end of last year. It's due, of course, to a significant and positive market and Forex effect, but it's also due to good inflows, especially in life insurance and wealth management businesses. When it comes to asset management, you

have already noted the publication of the results of Amundi, so you know that Amundi had some outflows in money market funds; but as regards the long-term assets, Amundi continued to enjoy positive inflows and quite strongly actually.

Insurance

On page 14, when it comes to the insurance businesses, I think that what we can note in a nutshell is that the overall level of activity remains excellent, with significant inflows in the life insurance business; significant inflows which continue in unit-linked products, but also a pickup in euro-dominated products this quarter. Regarding P&C and protection businesses, again a very strong business momentum, plus 9.5 percent in premium income, which is the materialisation of further market share gains across the board in France and abroad. When it comes to the financial figures, you will see that the profitability of this insurance division continued to increase plus three percent, reaching €284 million for the quarter. Maybe a last point I want to mention on this page, which is the good start of the Crédit Agricole Assurance CreVal partnership with net inflows significantly above our initial expectations and inflows of good quality with more than 30 percent of the inflows made of unit-linked products.

Amundi Asset Management

Amundi Asset Management, I already mentioned what happened in terms of inflows, and again significant long-term asset inflows, compared to the first quarter of 2018 where Amundi recorded significant performance fees. Revenues are slightly down, actually almost flat, but thanks to the continuous good cost control and to the very good efficiency of Amundi, the profitability of Amundi is up close to three percent this quarter.

Retail banking

Retail banking activities in France, or LCL, I think that the two messages are very clear. The commercial activity is doing quite well actually, with customer savings up and loans outstandings significantly up; and the financials are also very well oriented with top line up 1 and 1.3 percent Q1-on-Q1, and costs down 3.2 percent excluding Single Resolution Fund. Of course, as in all business lines, the cost of the Single Resolution Fund increases quite significantly, plus 17pct; but nevertheless, those performances are very positive and generated a net profit which is up close to 18 percent for LCL this quarter. In this context, the last point I wanted to mention is the fact that LCL is indeed gaining new customers, with close to 20,000 new customers this quarter, almost 15,000 for individuals and close to 5,000 professional clients in this quarter.

International banking

International retail banking abroad: so, Italy Cariparma and Crédit Agricole Italia, good commercial momentum. Loans outstandings are up 1.5 percent if I restate the Q1 figures on the fact that in the meanwhile we have sold a significant amount of non-performance exposures. Customer savings are slightly down, which is mostly explained by the fact that Cariparma continued to actually end some costly customer resources that were going along with three banks that we bought; and this was compensated by the issuance of a covered bond in the Italian market, which was a success.

In terms of financials, the top line is down close to four percent, but actually it's almost completely explained by the fact that in Q1 '18, Cariparma made a capital gain on the sale of some BTPs of close to €20 million. So, besides the top line is more or less stable, the costs

line is down 1.5 percent and the cost of risk continued to decline by 15 percent. So, in this context the contribution of Crédit Agricole Italia to the profitability of the group increased by close to a little bit above than eight percent. In addition to that, we mentioned the fact that globally, Crédit Agricole Group in Italy has made in the first quarter of this year a net profit of close to €117 million, which is again up this time 16 percent Q1-on-Q1. The rest of the international retail banking activities continued to do quite well with a net profit up 21 percent. I think there is nothing much more to mention on this division.

Specialised financial services

Specialised financial services, the commercial momentum is again very positive, and I already mentioned the fact that a significant contribution was made by the development of the car financing joint ventures, which had indeed a very good level of activity this quarter as globally all the consumer credit business, especially abroad. So, the loans outstanding are globally up seven percent for the managed loan book, a little bit less than that for the consolidated loan book of CACF. For leasing and factoring activities, also a good level of activity and in terms of leasing loan book, which is up 2.7 percent. So all in all, the top line is globally slightly down minus 1.1 percent in the context of strong competition across the board; but due to the good cost control and the level of cost of risk which remains quite low as I already mentioned, the profitability of this business division is up close to nine percent at €194 million. Lastly, I want to mention the new partnerships in which CACF entered this quarter with Tesla in Netherlands and Harley-Davidson in Spain and Poland to FCA Bank.

Large customers division

The last business division is the large customers division. It's been a volatile quarter across the board for all CIBs, and I'm happy to mention the fact that for CACIB, revenues were up this quarter than globally for the large customers division, including CACEIS revenues ended up 3.3 percent. As far as CACIB is concerned, the quarter was quite positive for fixed income activities with CACIB gaining the position of number two worldwide bond issuer - bond issuance arranger for its customers.

Financing activities

For the financing activities, revenues are globally up seven percent, which is a good performance; and actually, CACIB indeed took advantage of a very strong customer demand for new loans, which explains the increase that we had in RWAs forecasted this quarter, but you are used to that. This is already something we had in Q2 last year. And in terms of financial, this very good resilience of the revenues up 3.3 percent, a good cost control and a further decrease in the cost of risk, because as I was mentioning, we have had for the fourth quarter in a row, a provision reversal this quarter at CACIB. The overall profitability of this business division is up 16.4 percent at €232 million. For CACEIS, also a good quarter in terms of activity with the gain of significant new mandates like Groupama in France and with also the conclusion of two very strategic moves: the negotiation with Santander and the offer that has been made on KAS Bank in Netherlands. We expect those two strategic moves to be concluded probably by the end of this year.

Regional banks

Let me go now to the Regional banks of Crédit Agricole on page 22, and we will find more or less the same type of performance as the one we saw at LCL with a very good commercial

momentum. Loans are up 6.5 percent and customer savings up 4.2 percent. Also, new customer gains, 35,000 new customers attracted – individual customers – attracted by the regional banks globally in the first quarter of this year and financial figures which translate this very good commercial momentum. Revenues are up close to four percent. You all know that for the regional banks in the revenue line, you have at the same time activity revenues and also portfolio revenues, but globally up quite significantly. And after two years of strong investments, you have now a much more moderate evolution of the cost line, which is actually more or less stable this quarter. In the context where the cost of risk is declining quite sharply, minus 46 percent, the contribution of the regional banks to the profit of the group is up 13.4 percent, which is quite significant.

Solvency

Let me turn now to the solvency. I already mentioned that the CASA, the solvency ratio, the CET1 ratio stood stable at 11.5 percent. You have on page 24 the different elements explaining the evolution between the 11.5 percent at the end of last year and the 11.5 percent at the end of this quarter. I think what you can note is the sharp increase in unrealized reserves – so OCR reserves – and also a significant increase in the solvency consumption linked to the evolution of RWAs. Just a few words on this strong dynamic evolution of RWAs plus €14 billion in a single quarter, it's not nothing. But I think that some elements are clearly important to keep in mind. Within this evolution, we have €1.6 billion coming from the implementation of IFRS 16 January 1st this year. In CACIB, you have close to €4 billion of RWA evolution, which is clearly in connection with what I mentioned, which is the strong credit demand coming from customers and the capacity of CACIB to generate actually new assets with a good level of profitability, but you know now is since what we did last year, that is something we can do on an opportunistic basis.

And in the asset gathering business division, the strong evolution is mainly due to the insurance activities where you all know that the RWA increase is more than self-financed by element of solvency, because in this evolution, you have two components. The first one is the OCI reserves, which translates into an increase in RWA, but another increase which is more important in OCI reserves so in solvency. And the second element is the fact that the profits made by the insurance company this quarter translates into RWAs, but also translates into capital through retail earnings. So, I would say that all these RWAs in connection with the insurance activities are more than self-funded in terms of solvency.

At group level, the CET1 ratio further increased at 15.3 percent, so quite a significant increase, which is linked to the high level of retail earnings, which is linked to the evolution of OCI reserves and which is linked to the fact that globally at group level the organic RWA consumption is much lower than at CASA level. It's in particular due to the fact that at regional banks level, we improved a little bit the efficiency of our credit model with the full approval of the ECB, of course. On this page, you may also take a look at the other ratios and especially at the MREL ratio and the TLAC ratio. The TLAC stands now at 22.6 percent, which is a little bit above the 22 percent target that we had set for 2019. It's especially due to the fact that in the first quarter, we issued an AT1 in the end of February, which was not part of the initial funding plan that we had published.

Funding plan

Precisely, let us go now to the funding plan on page 26. At group level, we already showed by the end of April €15.7 billion of different categories of debt; and at CASA level, the figure is €9 billion of debt, excluding this AT1 I just mentioned, so €9 billion at CASA level. It's more than half of the yearly program that has been indeed completed by the end of April this year. And I think that we can add this program was completed taking advantage of favourable market conditions especially when it came to issuing either ten year non preferred or 82 (?) debt in March. Liquidity and funding, nothing much to mention. The liquidity position of the group remains very comfortable and with the same kind of metrics than the one you usually know. And I think we can end this presentation with I would say the repetition of the main messages: solvency at high level, good business momentum in all business lines, good cost control, cost of risk which is low and indeed a good level of profitability, especially for our first quarter which is earmarked again by IFRIC 21 and the Single Resolution Fund contribution. Lastly, you have all in mind the fact that we are going to meet in person in three weeks' time I think for the presentation of the new Medium-Term Plan.

And now, I'm ready, of course, to answer your questions.

Q&A

Flora Benhakoun (Deutsche Bank): Yes, good afternoon. The first question I'd like to ask is regarding the financing business and going back to the significant RWA inflation that we've seen this quarter. It's true that, you know, the revenues are up, but this quarter the RWA inflation is slightly higher than the growth in the underlying revenues on a year-on-year basis, which is also a bit surprising because in this division, you know, you have this originate to distributor model where you can use the securitisation, for example, to reduce the RWA consumption. So, the question is can you do better on growing basically the revenues without growing the RWA by the same amount? And the second question is regarding LCL, where obviously the NII was very strong this quarter but driven by very significant loan growth. So, the question on the NII would be is it the case maybe that you are, you know, capturing some credit risk that others are leaving behind given the growth especially on corporate loans being so much higher than peers? And can you maybe elaborate on the weakness on the fee income this quarter? Thank you.

Jérôme Grivet: Let's start with CACIB. Again, as I said, we had this quarter an opportunity view regarding the development of the financing business and of the loan growth and the RWA portfolio. The RWAs at CACIB increased by roughly €4 and the starting point was around 110, so it's let's say around four percent increase; but the revenues in the financing division are up seven percent, so actually, of course, the maths are a little bit more complicated but what you can see with this very simple calculation is that these additional RWAs were relative rather than dilutive. In this context, we continued, of course, with our distribution policy. And as an illustration of that, in the last 12 months actually, CACIB distributed 42 percent of the assets it generated in the financing business. So, I'm not talking about securitisation; I'm not talking about bond issuance; I'm really talking about the balance sheet business that we are doing. 42 percent of the assets that we originated in the last 12 months were primarily distributed. It's a significant increase. I think it was around 20 percent or 25 percent five years ago when we started this new policy, and even one-and-a-half years ago it was more in

the region of 35 percent. So clearly, we accelerate our capacity to primarily distribute the assets that we generate, even in the space of credit and not only in the space of bonds.

And I think we can continue. So, of course, as I said, we have been taking some market opportunities, capturing some market opportunities this quarter. They may not repeat quarter-after-quarter, and we will continue to seek to a strict global RWA discipline and to a strict coherence between our capacity to generate capital and our capacity to allocate this capital to the different business lines. We did it once last year, in Q2 if I remember correctly, where CACIB increased quite significantly its credit RWAs, and after that it remained absolutely stable. So, we have this capacity of being agile in this regard, in this respect.

At LCL, I don't know where this idea of first taking bad risks come from, but it's absolutely not the case. LCL is and has a long, I would say, expertise in having relationship with corporate, either small and medium-sized corporate or even sometimes bigger corporate. And so, LCL is really taking advantage of its expertise, the recognition it has with customers, and we have decided, I think I already stated in previous calls, to allocate potentially more RWAs to LCL in order to enhance its development. They are taking advantage of it, but clearly I'm not seeing any risk of credit deterioration going further in connection with this policy. When it comes to net banking income or net interest income, it's clear that volumes are much more up than NII simply because the margins continue to be under pressure. And you may have seen in the newspapers that in the last month, the average market rates for new home loans continues to decrease a little bit; so LCL is in the same situation as its peers from this respect. But I think that what we have been proving at LCL in the last one-and-a-half years is the capacity to maintain a good – a gap between the evolution of the top line and the evolution of the costs line, and this is what we will continue to do.

Jacques-Henri Gaulard (Kepler): Yes, thank you very much M. Jérôme. Two questions for me, please. I would like to bounce on the last question because €321 billion in risk-weighted assets is still something we haven't seen in a while actually, and it looks a little bit weird. So, the question is more beyond the financing question, whether you can bring that back to the regular 310, or if you can actually give us guidance on the RWA for the end of the year? And the second question would be on the wealth management business, which if we exclude LCL, remains really for all finance banking in general the private banking business outside France, not something which is working very well and it's the same for you. You had the consolidation of an asset, Banca Leonardo, this quarter. Results keep going down. Is it really worth investing in this? That's it for me. Thank you, Jérôme.

Jérôme Grivet: Well, good question as usual, Jacques-Henri. Now, RWAs: I think we are still significantly below the level that we had in mind when we published the last medium-term plan. So, you have been used to us being quite disciplined in the evolution of RWA. You have also to be used that we may want to take advantage of again business opportunities. But nevertheless, in the evolution that we have had this quarter, it's important to really make the difference between what is organic growth; and typically, and we assume it fully at CACIB, the €4 billion increase in growth. And what is more either temporary or an element of volatility; and this is what is happening at the insurance division this quarter. Again, there is an increase of around €2.5 billion of RWAs, which is in connection with the evolution of OCI reserves; and each time the OCI reserves increase, we are creating solvency at group level

because the cost of the additional RWAs is much less than the benefits of the solvency increase linked to this evolution of the OCI reserves. So, this is something we have to note. This is not something on which we have the capacity of acting; but clearly, if the OCI reserves, the increase in RWA is much more than financed by, in terms of solvency, by the creation of additional capital. And in addition to that, you know that until we pay the dividend, we upstream the dividend from the insurance company to the mother company. We will have an increase in RWAs quarter after quarter because when the insurance division is making €300 million of profit, this is generating close to 1.5 billion of RWAs, 370 percent. And of course, this is a significant evolution of RWAs, but at the same time we have the capacity – the possibility – of integrating the €300 million of net profit into our solvency. So, in both cases, these RWA increases are more than self-financed by the evolution of the capital. So, this is something which is not of the same nature as what happened with CACIB.

Your second question is about private banking activities. To put it in a nutshell, there is a decrease in the net profit between Q1 '18 and Q1 '19. There is a strong increase in the profitability between Q4 '18 and Q1 '19. So, we are working on the overall efficiency of this business division. We are working on generating all the synergies that we expected from the acquisitions that we made in the last 12 or 15 months. We know that we have some improvements – further improvements – to do, but clearly this business remains a part of the overall business of the group – the business scopes of the group; and we think that the best we have to do is to continue and improve the efficiency, rather than taking some other kind of decisions.

Jacques-Henri Gaulard: Thank you very much, Jérôme.

Jérôme Grivet: Thank you.

Stefan Talman: Yes, good afternoon, Jérôme. Two questions from my side, please. First on the tax rate, I guess there's still a little bit of unclarity or a lack of clarity about what actually the corporate tax rate will be this year. Are you accruing – in France, that is – are you accruing on the assumption that the corporate tax rate will be 31 percent, or are you still having in mind last year's 33? And the second question regarding the very strong performance in the car finance joint ventures that you pointed out. If we draw down to the operating level of these car finance joint ventures, what drove this very strong performance: revenue, cost, cost of risk or anything else to highlight there? Thank you.

Jérôme Grivet: Okay. Tax rate, we kept which was, to be frank, an amicable debate with our auditors. We kept the 33 percent tax rate. We know that the law that was passed last year had set the tax rate for this year at 31 percent, but we also heard the public announcement made by the government regarding the fact that finally this year it was going to be kept at 33 percent. So, actually, we kept the 33 percent for this year because we didn't want to be in a situation where we had lowered the tax rate in the first quarter, and we had to catch up in the second and the third quarter. So, even though from a purely accounting principle point of view, we should have put 31 percent, we kept the 33. And you may have seen that the global tax rate increased a little bit. This is the consequence of the increase of the Single Resolution Fund contribution, which is, as you know, not tax-deductible; and so, this is translating into an increase of the global tax rate that we had to spend this quarter, which is why the profit

before tax on an underlying basis is up 3.5 percent when the profit after tax is up only 1 percent.

In the car financing business, you know that we have two different activities. We have the partnership with FCA in Italy and in most other European companies and we have the partnership with GAC in China. The situation is completely different in the two entities. GAC is a small car maker in China, and so GAC managed to keep a good business momentum and a good level of sale in the Chinese car market, which is a little bit more troubled in the last period of time. So, the business is developing well in China, despite I would say a more challenging environment for the car market. FCA is a much more important car maker, especially in Italy. FCA is developing quite well in Italy, and we also developed the partnership in several European countries; and you may have seen that we progressively expand with FCA Bank the number of partnerships that we have with other car makers, so this also explains why we have this good momentum in the car financing business.

Stefan Talman: Okay. Thank you very much.

Jean-François Neuez (Goldman Sachs): Hi, good afternoon. I just wanted to ask on the French retail business where there is obviously a very strong amount of loan growth and with also the margin pressure that you described before. I just wanted to try to understand whether you'd be able to share some views as to – obviously Crédit Agricole has the number one market share as a group in France and I just wanted to understand what your views on the drivers of these competitive dynamics were, and in a sense at which stage you start changing your minds on the interplay between volumes and margins, please?

Jérôme Grivet: Well, we have certainly the highest market share in home loans in France, that's for sure, if you add up the Regional banks and LCL. We don't see it as a market which would be independent from our global retail banking activity. We see it as a key component of the relationship we have with our retail customers and with the individual customers in France. So, we are not going to decide to exit the home loan market and to stay on the rest of the retail market. It's just not possible, actually. So, the real base of the business that we've built in the last 100 and something years is the retail market – retail banking market in France. This market has a strong connection with home loans. We have to be active in the space of home loans. So, of course, we would prefer the pricing of home loans to be a little bit higher, and actually we had hoped that in 2019 it was going to grow a little bit rather than decreasing as it did in the last four months. But we are not going to take an autonomous decision on the home loan market and we are regarding the retail market globally. And in this market, we are performing well, we are gaining customers, and this is what is important for us.

Jean Neuez: And as a follow-up to this is one of your competitors mentioned the possibility to start securitising some of the loans without necessarily being so precise. So, my question was leading to whether you think going forward there is a way to maybe be slightly more asset-light also in retail and whether the pricing allows these type of activities to develop on any different scale?

Jérôme Grivet: I think – no. It's an interesting question, but we answered already a few years ago, because we did already several home loan securitisations. Actually, only one of

them was sold in the market. The rest of those were kept in our balance sheet and we used them as liquidity reserves that we may use in order to get funding from the ECB. But we know exactly how to master the construction of a home loan securitisation in France. And of course, securitisation is a tool that we may use in order to balance our funding needs, but this is only a tool, and we are not going to decide to stay or to exit the home loan market simply because it's possible or not possible to securitise the loans. And of course, in terms of pricing, the pricing in absolute terms doesn't have any meaning. It has to be compared with other assets of the same degree of risk. And if you compare a home loan which yields about 1.3 – 1.4 percent nowadays with a ten-year French government bond which is 35 bps, well there is also some – there may be also some interest coming from investors for that type of asset, because in terms of, you know, security, it's not very different. But it has –

Jean Neuez: Thanks a lot. Sorry. Yes, thanks a lot.

Jérôme Grivet: Thank you.

Tarik El Mejjad (BAML): Hi, good afternoon, Jérôme. I have three questions, please. The first one is still on LCL. I mean, there's a difference, I guess, between exiting more home loans and having a more, I would say, measured volume growth; because my question is really more on your strategy in terms of LCL, because are you playing the volume game to offset the pressure from margin and the you enter into this circle where you have to keep up such a volume so where you have a cliff edge in terms of margins because of NII, because clearly rates are not increasing significantly any time soon? The second question is on large customers and mainly in the capital markets. So, contrary to your main competitors, you didn't adjust your business in Q4 and not in Q1, obviously; and you mentioned that it is the right size and the right format. But it was loss making in Q1 – clearly better than peers – but still loss making. So, should we expect any adjustments, I would say, in there? And last question, very quickly, on – in Italy. So, BMP mentioned there's some increasing competition in the country, and also they entered the second wave of deleveraging, or I would say business mix shift. Do you see something similar? And I don't really reconcile the drop-in revenues year-on-year only from the gains on BTPs from last year. There's clearly more weakness in there than that. Thank you very much.

Jérôme Grivet: LCL, let's start with that. I think, again, if we want to be a real retail bank in France, we have to serve our customers; and our customers, for the time being, are demanding home loans. They are requesting home loans because the combination of the price of homes and the level of rates and their borrowing capacity is enabling a significant proportion of our customers to borrow. What would happen if we were saying to our customers requesting a loan, "Well, we are not willing to lend to you because it's too cheap for the time being?" We are going to lose customers, which is exactly the contrary to what we want to do. So, we want to continue to develop our business. We want to take opportunities in order to gain new customers if we have the possibility, and this is what we did in the first quarter at LCL like at the level of the Regional banks. I think it's after that up to us to, I would say, crystallize the benefits of such a policy by developing a number of additional services and additional products that we can integrate in these relationships that we entered in with home loan. But again, a home loan is clearly a part, a significant part, a key part, of the banking relationship in the retail market in France and we want to be active in that field.

At CACIB, well, it's true that if you take the whole figures for the first quarter, we have been posting a result which is almost zero on globally the capital market activities, but it simply is due to the fact that with IFRIC 21 in the first quarter, we booked €125 million of taxes that should have normally been spread on all the four quarters. So, actually, the debt – or the capital market activities and the investment banking activities – are not a loss maker at CACIB, again, if you want to really recognise the right level of profitability. So, I'm not meaning that we wouldn't like to have a better operating position with higher revenues and less costs, but clearly you shouldn't assess the profitability of the activity on a simple or single first quarter of the year due to IFRIC 21.

Last point, in Italy – in Italy, you may see that revenues were down €19 million between Q1 '18 and Q1 '19. As I mentioned, we made last year a one-off capital gain which was around €20 million in the sale of the portfolio of BTPs. So, this is one element which mathematically explains the whole difference, but actually many, many other things happened. I think that globally, in terms of client revenues, we had a good momentum of net interest income in connection with the development of the loan book and in connection with the development especially of the home loan book; and the fees and other non-interest income revenues were a little bit affected by the customer behaviour, especially regarding savings products.

Tarik El Mejjad: Thank you.

Jérôme Grivet: Thank you.

Matthew Clark (Mediobanca): Hello. So, a couple of questions on capital gains, please. Firstly, on the 52 basis points of unrealised AFS gains in CET1, could you split that out into equities and bonds, please? I guess thinking about the pull to par is going to be more affecting bonds, but also wondering whether there was any kind of temporary impact there this quarter from BSF ahead of the disposal, because I think it should still be an AFS investment for you? And then second question, coming back to the financing division risk-weighted assets. Was there anything really that unusual about the additional business that they did this quarter? I'm just wondering whether this was within the normal risk limits that are given to the business? So, it was just normal activities that happened to still be there when the end of the quarter photo got taken, or was this really an active decision taken at a group level that involved group sign-off to take on this additional risk and see the risk-weighted assets grow this much this quarter? I'm just trying to work out how usual or unusual this was. Thank you.

Jérôme Grivet: On OCI, you are right that the evolution of the OCI reserve is the combination of the decreasing rates which triggered an increase in unrealized capital gains on the bond portfolios that we have in the bank and also in the insurance company. It's also the effect of the good behaviour of the stock market on the portfolio of stocks and on the equity portfolio within the insurance company. And there is also a component linked to the BSF holding, because as you know, considering the accounting of BSF, all of the evolutions of the price of the share of BSF are accounted for in OCI. I'm not able to give you the breakdown of the evolution of the OCI between the different categories, but all these elements played indeed a role.

Going back to CACIB and the evolution of RWAs, of course all these credit-granting evolutions were fully inside all credit limits and inside the normal credit policies that we have in the different businesses. Of course, we are not modifying the credit policy simply because there are some opportunities. Maybe an additional point on the evolution of RWAs at CACIB – there is also – I don't have the precise impact in mind – but there is also an impact coming from the Forex because obviously, as you know, the dollar increased as compared to the euro in the first quarter. And so, there is quite significant actually dollar effect in the evolution of RWAs at CACIB.

Matthew Clark (Mediobanca): Just a follow-up on the AFS part. Does the impact of the disposals that has on capital been guided so far, does that change because of the strong performance of the BSF share in the mark to market?

Jérôme Grivet: No, no, actually not. What we signed a few weeks ago now, but after the end of the first quarter, was the effective sale of five percent of the capital of BSF; so this still has not taken place, but it has taken place in the course of the second quarter and this is going to free a few bps of capital at CASA level in the second quarter that you will see at the end of June. And we have also granted an option to the buyer to buy an additional six percent at the price which is set; and this additional sale, if it takes place before year-end, is going to translate to an additional and more significant liberation of capital at CASA level. And it doesn't change the evolution of the price of the BSF. Of course, the buyer will decide on his option regarding the price of the share on the market, obviously.

Matthew Clark: Okay. Just so I understand the mechanism right. If the share price keeps rising in the interim, you book the benefit in the interim, but then it means a larger negative impact at maturity. Is that the right way to think about it?

Jérôme Grivet: Yes, exactly.

Matthew Clark: Perfect, thank you.

Jérôme Grivet: Thank you.

Anke Reingen (Bank of Canada): Yes, thank you very much. Just a follow-up on the 52 basis points – just confirming this is like a net number or would the – would there be an additional positive or almost partly offsetting impact from a reduction in risk-weighted assets, so almost like opposite of what we have seen in Q1? And then, just confirming on the net interest margin of French retail banking, your slide say the net interest margin improved, but is it fair to say that may be a mixed effect leading from the comments you made earlier? Thank you very much.

Jérôme Grivet: I think I didn't fully get your first question. Can you repeat?

Anke Reingen: Yes. So, I guess, the 32 basis points we've seen in the capital improvement in the first quarter, that is just from the increase in the CET1 capital. But then there's a partially offsetting impact from higher risk-weighted assets as a result of the higher OCI. So, if that would reverse – so, I guess we have the negative 23 basis points in the Core Tier 1 capital, but the risk-weighted assets come down as well so the net effect will be smaller than... –

Jérôme Grivet: Well, it depends on what category of risk-weighted assets. Of course, the risk-weighted assets calculated on the basis of the equity accounted by the insurance company is absolutely going to go down if there is a reversal in market parameters. But of course, there is no connection between the evolution of the OCI reserve on the one hand and the evolution of CACIB RWAs on the other hand.

Anke Reingen: No, no, no. I wasn't making the reference to the CACIB RWA. I was making the reference to the 2.9 million.

Jérôme Grivet: No, no, but for rest, it's true. It's true. And actually, the 23 bps of capital of solvency that was generated by the evolution of the OCI reserve is a net between the increase in the OCI reserve and the capital consumption connected to the RWA increase linked to that. So, it's a net. It's a positive effect, okay.

And your second question about LCL – so, in the margin, there are many, many things that we take into account and that play a role. What is true is that there is a slight evolution of the breakdown of the loan book between we are growing more rapidly the corporate and the SME loan book than the home loan book lastly, but it doesn't play a significant role in the evolution of the NII, especially because as time passes by that it has a role.

Anke Reingen: Okay. So, the margin improvement is coming from – if you're saying –

Jérôme Grivet: The margin improvement is coming from what we did on the previous quarter, it is coming from the evolution of the volume and it is coming also from a different additional element, the number of days of the quarter and so on and so forth.

Anke Reingen: Okay. All right. Thank you very much.

Jérôme Grivet: Thank you.

Bruce Hamilton (Morgan Stanley): Hi, good afternoon, Jérôme, and thanks for taking my questions. Just circling back on the question that was asked around the level of growth in the French retail book. I mean, I think your answer basically is that you'll see cross-sell is critical to making a, you know, success of your strategy, yet fees were pretty weak in Q1 in LCL and also in Italy. Now, is that just a function of market weakness in Q4 and we get a rebound from here? Or, you know, is that a risk to your strategy? Because I guess fee growth is something that should feed through if your strategy's working, so I'm just interested in how we should think about the outlook there? And then secondly, so just on the RWAs in financing, given comments around sort of distribution and so forth, should we expect that there will be some reduction in RWAs in Q2 just because you've got the debt that is on the balance sheet now but you'd expect some of those to roll off in Q2? Thanks.

Jérôme Grivet: Okay. Let's start with retail. It's absolutely true that the cross-sell will translate into an improvement of fees. It's also absolutely true that contrary to NII, fees are connected first to the actual act of sale, so it needs a salesperson and it needs a sale contract of a specific product to book the fees; and second, it needs some customer appetite. And what happened in the first quarter, as I mentioned, is that considering the evolution of stock market in the fourth quarter of 2018 and considering, I would say, the lag a little bit between the events in the market and the customer behaviour, all the customers were a little bit shy before purchasing equity of a risky savings product. So, this translated both at LCL and at

Crédit Agricole Italia into a weaker level of fees. So, fee is really the outcome we expect from cost saving, but fee is not a given and fee has to be, I would say, compared quarter after quarter. That's for sure. So, this is, of course, something on which we are working, and this is why we tried permanently to enhance our product offer in order to be able, to be relevant in what we propose to our customers. But in the overall trend, despite a weaker quarter, is nevertheless positive in the development of fees in all our retail banks. The second question was again regarding financing opportunities, is that right?

Bruce Hamilton: Yes. So, I was just trying to understand if –

Jérôme Grivet: No. Well, what you can expect is us to continue to comply fully with the target of CET1 ratio that we deliver. So, we are – we have a CET1 target. We are above the target quite significantly and since a certain time. So, we have the capacity to – we have some room of manoeuvre. So, we are not going to sell down assets, I would say, quite forcefully in order to reduce the RWA level and in order to enhance a CET1 ratio which doesn't need to be enhanced. But we are going to continue to monitor our solvency globally in a quite prudent manner with the idea of course of keeping the – remaining fully able to comply with our commitment to pay our dividend and to comply with all regulatory strengthening that we may incur going forward. So again, really our commitment again is much more on the CET1 ratio and on the capital policy globally than on the simple level of RWAs, especially on a quarterly basis.

Bruce Hamilton: Got it. Thank you.

Jérôme Grivet: Thank you.

Guillaume Tiberghien (Exane): Yes, hi. I've got one clarification and then three questions. The clarification relates to the 20 million gain in Italy or in Q1 '18. I couldn't find it in your documentation. So, maybe I missed it, but in the future if you do have some one-offs, could you put them in the documentation, please?

Jérôme Grivet: This was a question, Guillaume?

Guillaume Tiberghien: No, no. I said one clarification and three questions.

Jérôme Grivet: This was not even a clarification. It's a statement that you made.

Guillaume Tiberghien: Okay, sorry, statement then – or request, put it that way. So, the question is number one; the ACPR recently said that they were going to look quite closely at the pricing of unit-linked products in France, including for – particularly unit-linked for bank insurers and normal insurers. So, can you maybe elaborate on your perception that what could it trigger in terms of revenue impact? The second question relates to the fact that for the first time this quarter, you had no positive draw effect between revenue and cost growth, and then you're going to have to absorb a normalisation of the cost of risk. So, without giving us all the, obviously, in advance the targets of the Capital Markets Day, can you at least tell us whether you think you can grow earnings from a high base given the low cost of risk? And the third question again to the capital, if you go to slide 24 – and I just focus on the 24 bps of results and 29 bps of organic growth – I understand your comment about we're not going to breach regulatory minimums and we want to pay the dividend. But here this quarter, you're not even paying the dividend. You're just making earnings and losing it all in capital

consumption. So, can you maybe give us a feel as to what sort of organic RWA growth you intend to achieve?

Jérôme Grivet: Well, I'm afraid I'm going to repeat some messages, but nevertheless – first regarding what you said about the ACPR and the pricing of unit-linked products. As you know, I've been running the insurance business for five years, so I have had many ACPR inquiries on all the aspects of our policy in the insurance business. And I think that every time we had questions, we have been able to answer to those questions showing that we were absolutely, I would say, compliant with all the regulations or market standards. So, I'm not aware of a specific request, but I'm not really frightened by this issue. The second question was about the jaws effect. If you take a look at the evolution of the underlying performances of the business lines in this quarter, the jaws effect is tiny, but it's real. The top line for the business line, business lines increased by all in all one percent; and the cost line, including IFRIC21, so including this quarter a significant one-off that is not going to repeat in the following quarters, increased by only 0.6 percent – a tiny draw effect but still some jaws effects. Nevertheless, I think that this policy of trying to keep a positive gap between the evolution of the NBI and the evolution of the cost line has to be seen on a more – on a broader basis than only a single quarter actually. So, we are going to commit to this same policy, and we are going to give more details in three weeks' time. But be sure that this will remain a key feature of the financial strategy that we want to develop.

The last point, well I'm not fully in agreement with what you said. For the first reason is that IFRIC21 is consuming 10 bps of capital this quarter through unrealised profits, €400 million, so it's quite significant. And the second point again is the fact that part of the RWA evolution is either, I will say, a temporary or conjunctural. So again, it's not on the basis of a single quarter, especially first quarter that you may want to assess globally our policy. The last point is that you have to take into account the starting point of our solvency. We are at 11.5. We are not at 11.0 and we need to be only at 11.0.

Guillaume Tiberghien: Thank you.

Jérôme Grivet: Thank you.

Kiri Vijayarajah (HSBC): Yes, good afternoon, Jérôme. So, just on the basis of what you just said there and really trying to understand the RWA trajectory in the financing business for the rest of the year. So, my question is really what would it take for you to put the brakes on the RWA growth in particular the financing business? So, if that CET1 ratio were to slip closer to 11.0, would that be kind of the wake-up call where you tell the guys putting on the RWAs in financing to hit the brakes? And then the second question just quickly on Italy where I see the deposit base – Italy retail, the deposit base has continued to shrink. And I guess the question is really at what point does the loan-to-deposit ratio there or in your Italian business collectively start getting a little bit more uncomfortable? Because I think it's several quarters now that deposit base has been shrinking in Italy. Thank you.

Jérôme Grivet: Let's start with the RWA evolution. I think we don't need any kind of wake-up call. I think we are fully aware of the evolution of RWA. It's quite simple, considering the fact that the command chains are quite short between the head of the group and the people at CACIB. It's quite easy to monitor the evolution of RWAs. Actually, we have budget

processes, we have limits, we have ceilings, we have all that kind of tools; and we are perfectly, I would say, comfortable on our capacity to monitor the situation. We again proved it in Q2 last year. In Q2 last year, we had the same discussions. We had the same type of evolution of RWAs at CACIB and I had, if I remember correctly, the same kind of answer. And in the second half of the year, the evolution of RWA at CACIB was absolutely or close to flat. So really, we show that this is something we are able to monitor, and we are not going – you know, if you say that we may go down to 11 percent simply by developing the RWAs at CACIB – so 50 pbs of capital would make a certain number, certain level of RWAs at CACIB which are not ready to allocate to this business as of today.

Deposits in Italy, well, what is important for us, of course, the evolution – the relative evolution between customer deposits and customer loans is important; but you may see on the slide 17 regarding Italy that actually the loan book did not increase if we take into account – which is financially the truth – if we take into account the fact that we disposed of €1.4 billion, I think, of NPL in the period. So actually, we are monitoring the balance between customer deposits and customer assets or customer loans. And we are also, as I mentioned, developing the capacity of Crédit Agricole Italia to complement its customer funding on the Italian market with the issuance of different categories of bond – the last one being a covered bond of €750 million, which was very well welcomed by the market, with a book that was six times covered actually. So, absolutely no issues regarding this point. But it's true that we are not going to continue to see a significant decrease in the evolution of the customer deposits.

Kiri Vijayarajah: Okay, great. Thanks.

Jérôme Grivet: Thank you.

Operator: Thank you. The next question comes from the line of Pierre Chedeville from CIC. Your line is open. Please go ahead.

Pierre Chedeville (CIC Market Solutions): Yes, good morning, Jérôme. Two questions from my side. I would like to focus on countries in your international retail business, because I'm quite surprised to see that with around 20 percent of outstanding they realised close performance as Italy and in terms of net income; which seems to prove that it's very much more interesting to make banking in exotic, I would say, countries than in domestic countries close to France. And when I look at the comments you've made on these countries, I am a little bit fascinated by the fact that there, it seems, that the net banking income is increasing in very high manner – plus 9 percent in Egypt, 3 percent in Poland, 13 percent in Ukraine, etc., and 10 percent in Serbia, where several of our banks are leading. And in the same time, the cost of risk seems quite nil everywhere. So, I think you have found there some magic countries, and probably it would be interesting for us to understand why you don't develop them faster in order to balance the poor profitability of your international retail banking due to Italy.

My second question is regarding SFS. You have mentioned the fact that despite a very significant growth in production, plus 8.5 percent I guess, on a like-for-like basis, the net banking income is decreasing by close to 2 percent. And you mentioned that there is a huge pressure on margins due to competition. Do you think that this pressure is structural, or do you think it's due to the fact that in the beginning of the year you tried to take some market share and then things are smoothing on medium term? Thank you.

Jérôme Grivet: Okay, many interesting questions. The first one regarding the rest of the international retail banking entities outside Italy is quite, I would say, inspiring. Now, just a few elements to try to answer your important question. The first element is that these countries are not euro countries. So, we need to cover a cost of equity which is obviously much higher in those countries than in Italy. So, it means that, all things being equal, we need to show a better profitability because of the higher degree of risk, which is obviously the case. The profitability is significantly better. The second element is that regarding Italy, if you want to assess the profitability of what we're doing there, you need to take into account all the universal banking model that we have deployed in Italy. And actually, you must look not only at the €43 million that we made with the retail bank, but at the €168 million that we made globally in Italy this quarter. The third point is that in the exotic countries, to use your expression you were referring to, part of the business that we do is done with corporates that we know from France or from some other countries and that we help to develop their activities locally. So, it's a business that we do in connection with CACIB or with LCL or the Regional banks. And last point, the third – the fourth and maybe most important point – is that we don't have the possibility to scale up this business exactly like we would like. I think that if we were to decide to double the size of the business, we would probably multiply by four, five, six, the cost of risk, because simply one of the key features of the business is the fact that it's been developed quite prudently actually, very prudently, as illustrated for example by the fact that we don't want to have to provide funding to those countries, so we must develop the business alongside with our capacity to locally fund it.

Pierre Chedeville: If I may, can I have a follow-up question? You said that in Italy we have to consider the universal model that is nourishing over divisions; but can't you develop, for instance, insurance, Amundi, CACIB, you mentioned it, through these countries in order to develop them without taking more risk in terms of funding, for instance –

Jérôme Grivet: No, that's a good question. That's a good question. But considering.. –

Pierre Chedeville: I'm sorry to insist.

Jérôme Grivet: No, no, but you're right. And this is what we're trying to do actually. For example, we've launched a P&C insurance company in Poland. We have created the company four years ago. It's starting very, very slowly, so it's not impacting quite significantly the number of policies managed overall by Crédit Agricole. But this is exactly what we did, and we are doing the same in life insurance. We are developing the life insurance distribution also in Poland. In Ukraine, to be frank, I think that besides probably some leasing activities, I think we are going to stick to the bank that we have in this country, but it's a very specific situation. In Egypt, we are developing much more the synergies between CACIB and Crédit Agricole Egypt. And in Morocco, we have also consumer credit business and asset management business. So, it's, of course, less developed than in Italy, but in each country, in a coherent manner with the state of development in those countries, we are trying to implement the same type of model. Specialised financial services and consumer credit – it's true that the loans outstanding managed by CACF are up eight percent, but the loan book consolidated with the CACF is up only two percent. So the minus two percent in terms of NII or NBI has to be compared with the plus two percent in terms of loan book, which is still a difference and this difference is explained by the competition I was referring to, but also by

the evolution that we continue to have in the breakdown of assets between revolving assets and amortizing loans.

Pierre Chedeville: Okay. Thank you.

Jérôme Grivet: Okay. Thank you.

Jérôme Grivet: Well, I think that the sunny weather that we have outside is probably quite appealing. So again, thank you very much to all of you for your questions. And I think we are going to see you in person in three weeks' time here in Montrouge. I'm looking forward to it. Have a good rest of the afternoon. Bye-bye.

[END OF TRANSCRIPT]